

JUNIPER

Member of the  **BARCLAYS** Group

December 16, 2005

Ms. Jennifer J. Johnson
Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, N.W.
Washington, D.C. 20551

RE: Docket No. R-1217

Dear Ms. Johnson:

On behalf of Juniper Financial Corp. and its wholly owned subsidiary Juniper Bank ("Juniper"), I am please to submit this letter in response to the Board of Governors' ("Board") request for public comment regarding the second Advance Notice of Proposed Rule making ("ANPR") to review the open end credit rules of Regulation Z. Juniper Bank is a partnership focused issuer of credit cards, with approximately \$2 billion in managed credit card receivables and approximately 1.4 million credit card accounts. Founded in 2001, it is one of the fastest growing credit card issuers in the United States. Juniper is a wholly owned subsidiary of Barclay Group U.S. Inc., a United States Financial Holding Company which is itself a wholly owned subsidiary of Barclays Bank PLC, a U.K. bank. As a bank wholly focused on the issuance of credit cards, Juniper appreciates the opportunity to make its views known to the Board.

Integrated Review

Juniper strongly supports the Board's efforts to employ an integrated review of Regulation Z. Specifically, it supports the Board's efforts to implement the Bankruptcy Abuse and Consumer Protection Act's ("Bankruptcy Act") amendments to the Truth in Lending Act ("TILA") as part of the Board's broader review of Regulation Z. The Board correctly notes that implementing the Bankruptcy Act amendments as part of its overall review of and update to Regulation Z should result in less regulatory burden by allowing creditors to make all required adjustments to their disclosures at one time instead of on a piece meal basis. We further submit that a single integrated update to Regulation Z will result in less consumer confusion; it will be easier for consumers to absorb one overall revision of credit card disclosures than the issuance of multiple evolving iterations of those disclosures.

Summary Regarding Minimum Payment Disclosures

Juniper submits that the minimum payment disclosures mandated by the Board should be kept as simple as possible. The purpose of the disclosures is to educate consumers generally as to what would happen if only the minimum amount due is paid each month – in essence to provide consumers with an understanding that if they only make the minimum payment each month, that it will take a long time to repay their debt – in other words to encourage them to pay more than the minimum amount due if possible. The disclosures are not intended to provide the exact number of months it would take to repay the debt; such a requirement would only make sense if the purpose of the disclosure was for consumers to use the disclosed number as some sort of financial planning tool (indeed, that would be contrary to the legislative intent since using the disclosures for financial planning purposes could be perceived as encouraging consumers to make minimum payments). In addition, the information to be disclosed regarding minimum payments will not be that useful for the vast majority of cardmembers who either pay their balances in full each month or who regularly pay more than the minimum amount due. As a result, since the purpose of the required disclosures is educational, the disclosures should be simple and illustrative, not detailed and should not be emphasized to such a degree that other important and useful disclosures are rendered less conspicuous.

Exemption for Certain Account Holders

The Board asks whether an exemption should be created to allow creditors to omit the minimum payment disclosures for certain account holders. We at Juniper respectfully submit that the answer is yes – that creditors should be permitted, at their discretion, not to make disclosures regarding minimum payments to the vast majority of credit card account holders who either pay the entire balance in full each month or make monthly payments that regularly exceed the minimum amount due. The fact is only a fraction of cardholders pay the minimum amount due (or less) in any given month and an even smaller portion pays the minimum amount due for consecutive months. Furthermore, some of those who do pay only the minimum amount due, do so because they can not afford to pay more. Presumably, even if one were to concede that the proposed minimum payments disclosure required by the Bankruptcy Act have educational value, only those individuals who might consider paying the minimum amount due for a period of months would benefit from the disclosures (and many of these individuals would not benefit from these disclosures since they are making the minimum payments because that is all they can afford). The minimum payment disclosure would be meaningless for most cardholders – yet given the prominence these disclosures must be accorded pursuant to the Bankruptcy Act, other disclosures important to these individuals, such as transaction information, would be pushed down on the periodic statement or relegated to the second or third pages of the periodic statement. This would not serve the interests of either consumers or creditors.

One of the issues being considered by the Board in the ANPR is information overload. We submit that any practical solution that would enable credit card issuers not to provide information to those who have no need for it would benefit both consumers and creditors. Permitting issuers not to make minimum payment disclosures to cardmembers who pay their balances in full or who generally pay more than the minimum amount due (i.e. requiring that disclosures be made only to cardholders who pay the minimum amount due three or more times during calendar year) should benefit everyone.

Hypothetical Examples for Periodic Statements – APR

We urge the Board, to use one APR in the hypothetical examples for periodic statements and stick with it. We understand that Congress provided the Board with flexibility to use a rate other than 17 percent and that the average APR charged by banks is less than that. However, we are concerned that any effort to match the hypothetical example APR to the average APR will result in the Board being pressured to change the hypothetical example APR from time to time as the average APR changes. We think the educational purposes of the Bankruptcy Act are best served by using one rate and sticking to it year after year – it will provide consistency of information for consumers and would costs creditors less since they would not have to change their periodic statements each time the Board feels compelled to change the hypothetical example APR.

Assumptions to Be Used by the Board in Developing a Table

We further urge the Board to establish simple and consistent assumptions in developing its formula for estimating repayment periods. Specifically, we submit that the Board establish the same assumptions as those set forth in the Bankruptcy Act: (i) previous balance method; (2) no grace period; (3) no residual finance charge; (4) minimum payment amount of 2% for banks with a floor of \$20 and (5) a single APR. Even if the Board feels compelled to employ a different assumption than one or more of those set forth in the Bankruptcy Act, we urge the Board to ensure that each assumption is simple and easy to apply and not subject to change it over time. This would lower the amount of unnecessary confusion by applying a consistent calculation for inquiries into the toll free number and the calculation set forth in the hypothetical example. It would be relatively easy and less expensive to apply and would still serve the educational purposes behind the Bankruptcy Act.

We also urge the Board not to impose any requirement that creditors provide the information to be used in connection with the disclosures generated by the table developed by the Board. It is not necessary that account specific information be provided to obtain the estimated repayment period required by the Bankruptcy Act. We again state that the purpose of the tables is not to be a financial planning tool but rather to provide a generalized understanding to consumers of what happens

when they only pay the minimum amount due each month. Requiring account specific information from creditors would impose significant and unnecessary burdens on creditors and the only purpose served would be to provide consumers with greater ability to engage in financial planning.

Similarly, the Board could assume one APR for all cardholders. If, on the other hand, the Board believes it appropriate to obtain APR information from the cardholder when they call the toll free number, we believe it would be appropriate to request a single APR for use in connection with the Board tables. We would also suggest that the Board employ the non-promotional APR used for purchases. This is the APR that is applied to most balances and would therefore provide the best estimate of the repayment period.

We believe that the consumer could report the balance owed on the consumer's account when calling the toll free number.

APRs on Periodic Statements

The Board is also considering requiring that creditors disclose on periodic statements that portion of the existing balance that is subject to each APR on the account, partly so that consumers could provide this information when they call the toll free number to request an estimated repayment period. Juniper strongly recommends against adding these new disclosures. It would complicate the process for the Board when consumers call the toll free number. It also does not advance the educational purposes behind the Bankruptcy Act but rather makes the disclosure more of a financial planning tool. Finally, it will be burdensome to implement as it will require a reformatting of the periodic statement – without any positive benefit for consumers.

Creditors Providing an Estimate of the Repayment Period

The Board appears to contemplate that in addition to the Board's table, and in addition to the Bankruptcy Act's provision of allowing creditors to provide an "actual" number of months it would take to pay off the balance by making minimum payments, that creditors would also have the option or obligation to provide an "estimate", based on information available to the creditors of the time it would take to pay off the balance by making minimum payments. Juniper urges the Board to drop this concept. Requiring creditors to provide an estimate is not consistent with the Bankruptcy Act and/or with Congressional intent. The Bankruptcy Act requires the Board to provide an estimate – not creditors. The Bankruptcy Act also provides creditors the option of providing the "actual number" of months it would take a consumer to repay the balance on the account assuming minimum payments. It makes no sense to create a third tier of disclosures that Congress clearly did not intend.

Option to Provide the Actual Number of Months to Repay the Outstanding Balance

Congress provided an incentive for creditors to provide the “actual number of months” it would take to repay an individual consumer’s existing balance assuming that consumer only makes minimum payments. We would first posit that it is impossible to provide the consumer with the “actual” number of months it would take to repay a balance upon making only the minimum payments. The “actual” number of months that it would take to repay a balance necessarily depends on a number of factors that the creditor can not predict, such as when in the billing cycle the consumer makes the minimum monthly payment. Furthermore, it is extremely rare for a consumer not to incur additional debt on a credit card while making only minimum payments. Therefore, in order for Sections 127(b)(ii)(J) and (K) to be workable, we urge the Board to allow creditors to rely on a certain number of “assumptions” and to provide a “safe harbor” to creditors if those assumptions are followed. We urge the Board to adopt a process whereby the cardholder calls the toll free number and provides his or her account number. The creditor then retrieves the actual balance at the end of the most recent billing period and the APR that applies to each portion of the balance and then – applying the assumptions provided by the Board relating to (i) balance computation method; (ii) minimum payment formula, (iii) payment allocation, (iv) date on which payment is made and (v) the length of the billing cycles – computes a “more accurate” estimate of the number of months it would take the cardholder to pay down the balance assuming he or she makes only the minimum payment each month. Again it is imperative that the Board provide a safe harbor – deeming creditors to be in compliance with this section as long as they have reasonable policies and procedures in place to comply with the process established by the Board. Otherwise, creditors could be exposed to liability if the “actual number of months” does not exactly equal the number of months it actually takes a cardmember to pay down a balance.

Disclosure of Key Assumptions to Consumer

Juniper believes that creditors should be permitted to provide a short concise disclosure to its cardholders to the effect that the estimates provided are only estimates and that the actual number of months it would take for a cardholder to pay off a balance while making the minimum payment will vary based on a variety of factors including the consumer’s actual balance. Anything more is overkill, is unlikely to be read, or if read, is likely to detract from other more important disclosures. Creditors should also be provided the option of making such disclosure verbally or in writing.

Use of Term “Introductory” in Introductory Rate Disclosures

Juniper believes that creditors should be allowed to use the term “introductory” immediately before, immediately after, or in the immediate proximity of the

reference to the actual introductory rate. This would include the immediately preceding or immediately following sentence. We submit that this standard would provide creditors flexibility to use the term “introductory” in a way that makes sense and is not forced, and yet still serves the purpose of ensuring that consumers understand that the rate is “introductory”.

Expiration Date and Go-To APR

The Bankruptcy Act requires creditors to disclose the expiration date and the “go to” APR “closely proximate” to the first mention of the temporary APR. Juniper requests the Board to provide guidance as to what “closely proximate” means. While it is clear that “closely proximate” is a somewhat lesser standard than “immediate proximity”, it is vague and all would benefit from guidance as to how it should be interpreted. For instance, we believe that disclosing the expiration date and the “go to” APR in the body of the paragraph following the first mention of the introductory APR should suffice. We also submit that the “first mention” of the temporary APR in a direct mail solicitation be considered to be the first mention in the solicitation letter. That way the expiration date and the “go to” APR would be disclosed in the solicitation letter, which is the document consumers are most likely to read if they are interested in responding to the credit card offer. Given the fact that the expiration date and “go to” APR will also be included in the Schumer Box, we urge the Board not to require their disclosure on documents in addition to the solicitation letter and Schumer Box – that doing so would constitute information overload and detract from other disclosures.

Internet Based Solicitations

The Bankruptcy Act requires that certain disclosures to be provided in connection with Internet based solicitations be “readily accessible to consumers” as opposed to being made available in writing. We believe this requirement is best implemented by requiring either a clear and conspicuous link to internet-based disclosures, or providing the internet based disclosures on the same web page as the solicitation. The Statute does not require the creditor to force the consumer to access the disclosures; instead it implies that access is at the consumer’s option. Accordingly, as long as it is clearly and conspicuously disclosed as to how to access the disclosures, and that access is simple, the requirements of the Bankruptcy Act are met. We also submit that it is appropriate to require creditors to update the disclosures every 60 days.

Late Payment Deadlines and Penalties

The Act requires that if a late payment fee is to be imposed, the periodic statement must disclose clearly and conspicuously the date upon which the payment is due, or if different, the earliest date on which a late payment fee may be imposed and the amount of the late payment fee. We urge the Board not to propose any particular

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format requirements for such disclosure – the late payment disclosure is not more important than any other disclosures for which there are no other format requirements.

Once again, we at Juniper appreciate the opportunity to comment on the ANPR. If you have any questions concerning our comments, or if we may otherwise be of assistance in connection with this issue, please do not hesitate to call me, at 302-255-8700 or cwalker@juniper.com.

Thank you.

Sincerely,

Clinton W. Walker
General Counsel

CWW/cm